

Covid-19: Gearing Positivity: Your Steps To A Financial Recovery



Disclaimer: The opinions expressed here are solely that of the presenter & in no way form an advisory basis. The numbers are based on simulations & may vary from that under real circumstances.

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Hello there!
I am Shankar



Speaker Profile

- Bachelor of Accounting (Hons)
- Chartered Accountant (Malaysia)
- Distinguished Toastmaster
- Certified PSMB Trainer
- MIM Member
- 35 years in manufacturing
- Proud Malaysian!
- Proud Rotarian!



Learning Objectives & Outcome

- Understanding the Government stimulus incentives
- Maximising the benefits of these incentives
- Knowing the +/- points of certain incentives
- Planning for life post-MCO



Course Content



- Understanding of the loan moratorium & if it works for you
- Knowing how changes to EPF contributions impact you
- Overview of the BPN incentives
- Life post MCO

Loan Moratorium ...



BRIEF SUMMARY OF THE LOAN MORATORIUM

(Stimulus Package March 25 2020)



DESCRIPTION	EXPLANATION	DETAILS
Period in Force	Apr 1 – Sep 30 2020	Granted for 6 months – till Oct 2020
Loans Eligible	Housing, car hp*, personal & business loans	Excludes credit cards. Car hp (endorsement)
Application Process	None Required	Automatic w.e.f. April 1 2020
Option to decline Loan Moratorium	Yes - you can decline the offer	Need to inform the bank
Ineligibility clause	Loans in arrears > 90 days	To clear all arrears first by Apr 30 2020.
Extension post moratorium period	No provision at present	Case by case - refer to bank
Insurance premiums in arrears	Excluded under moratorium	Cash before cover – APL or policy lapses

One question – Should one [take the moratorium](#) on housing loans?

Taking The Housing Loan Moratorium

For illustration purposes only

	Home Loan Loan \$	Amount To Be Repayed						Total	Loan Balance
		Apr	May	Jun	Jul	Aug	Sep		
Interest Rate Per Annum	3.80%								
Property Value	500,000								
Loan Taken (90%)	450,000								
Repayment Period - 30 years	30								
Monthly Loan Repayment over 30 years	2,097								
Total to Repay Over 30 Years	754,851								
Interest Factor	304,851								
As of Mar 31 2020:									
Amount already paid over 6 years (\$2,097 x 6 years)	150,970								
Balance In Loan Account	603,881								615,427
Months Remaining	288								294
Monthly Payment	2,097	0	0	0	0	0	0	0	2,093

Total repayment = \$2,093 x 294 months = \$615,427
 Additional payment = \$11,546
 Ave over extended term (\$11,546/294) = \$39
 Reason: Interest compounded on principal

Observations:

1. Loan term automatically extended 6 months (288 to 294 months)
2. Repayments frozen & interest accrues on the principal
3. From Oct, your new loan balance is original \$603,881 + compounded & accrued interest cost = \$615,427
4. Repayment term is extended to 294 months from original 288 months
5. New instalment from Oct 2020 is \$2,093 vs \$2,097

Not Taking The Housing Loan Moratorium

For illustration purposes only

	Home Loan Loan \$	Amount To Be Repayed							Total	Loan Balance
		Apr	May	Jun	Jul	Aug	Sep			
Interest Rate Per Annum	3.80%									
Property Value	500,000									
Loan Taken (90%)	450,000									
Repayment Period - 30 years	30									
Monthly Loan Repayment over 30 years	2,097									
Total to Repay Over 30 Years	754,851									
Interest Factor	304,851									
As of Mar 31 2020:										
Amount already paid over 6 years (\$2,097 x 6 years)	150,970									
Balance In Loan Account	603,881								591,300	
Months Remaining	288								282	
Monthly Payment	2,097	2,097	2,097	2,097	2,097	2,097	2,097	12,581	2,097	

Notes:

1. If not taking moratorium - loan term same - but must [apply to bank](#) to decline
2. Monthly payments remain same - loan balance drops to \$591,300 end of moratorium period
3. You have avoided additional financing costs & repay as planned
4. It is business as usual – status quo

Reminder:

1. Take the moratorium on housing only if you need cash to roll.
2. If not, please see your banks to decline the moratorium
3. Always be disciplined & sincere to yourself

The Loan Moratorium Impact

DATA COMPARED

	WITH MORATORIUM	WITHOUT MORATORIUM
→ Repayment Period	Loan Period Extended (294 months)	Loan Period Remains Intact (288 Months)
→ Monthly Repayment Sum	Ceases for 6 months	Continues as normal
→ Payment of Principal	No Change	No Change
→ Deferred Monthly Interest	Rolls into post moratorium period	No impact
→ Impact on Monthly Payments	Reduces to \$2,093	Remains at \$2,097
→ New Loan Balance	Increases to \$615,427	Remains at \$591,300
→ MRTA/Fire Policy	Continues As Normal	Continues As Normal

The Loan Moratorium Compared

Taking The Moratorium

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EXTENSION OF REPAYMENTS

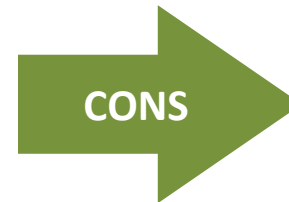
The 6 months is automatic – no need to apply

CASH FLOW ADVANTAGE

Deferred payment helps you manage other commitments

NO LOAN HANDLING COSTS

Your existing loan agreement continues as normal



APPLY TO DECLINE EXTENSION

If you don't want it, you need to apply

DISCIPLINED CASH MANAGEMENT

Use money saved to pay-off other commitments

ADDITIONAL INTEREST COSTS

1. You need to service accumulated interest charges on the principal
2. Risk of floating BNM BLR



Debt Snowballing – Take The Moratorium

Using Cash-flow Gearing To Settle Your Loans

	Home Loan Loan #1	Car Loan Loan #2	Personal Loan Loan #3	Credit Card Loan Loan #4	Total
Interest Rate	3.8% P.A.	3.25% P.A.	5% P.A.	1.5% Per Month	
Balance in Account	360,000	15,000	5,000	10,000	390,000
Monthly Repayment	2,000	1,500	1,000	500	5,000
No of months to settle	180	10	5	20	
Using the \$5,000 deferred payment to settle other pending loans					
Settlement by Month					
April				4,500 + 500 (1)	
May			5,000 (3)	5,000 (2)	
June					
July		5,000 (4)			
August		5,000(5)			
September		5,000 (6)			
Total Settled	-	15,000	5,000	10,000	30,000
Loan Balance	360,000	-	-	-	360,000

Proposed Idea:

1. Take the moratorium & settle the **most costly loans** first – credit card loans are costly
2. Then settle **2nd more pressing** – here, it's a personal loan
3. Settle **car loan** next
4. **Home loan last** – use the moratorium & recover your financial health
5. Don't get into trouble again after that! **Be disciplined** & control your spending. Buy what is necessary

Knowing The EPF Equation

BRIEF SUMMARY OF EPF WITHDRAWAL OPTION



DESCRIPTION	EXPLANATION	DETAILS
➤ Reduction in statutory rate	Apr 1 2020 – Sep 30 2020	Employee portion drops from 11% to 7% for 6 months
➤ Application process	None – reduction is automatic	From Apr 2020 on, your contribution is 7%
➤ To maintain old rate of 11%	Application needed	KWSP (17A) KHAS
➤ To contribute beyond 7% or 11%	Indicate by % or absolute amount	KWSP (17A) AHL
➤ Monthly withdrawal offer	< 55 can withdraw from Apr 2020 to Mar 2021	https://ilestari.kwsp.gov.my/
➤ Payment release frequency	One month from application	Last application accepted – Mar 2021
➤ Application constraints	Monthly / recurring. RM50 - Max RM500	Max balance in Account 2 Remaining months to go

Q1. Is it a good idea to keep to the revis

Q2. Is it a good idea to make the withdrawals of RM500 per month for the next 12 months?



Impact Of Reduction In Statutory Rates

For illustration purposes only

1	Monthly Salary	10,000	1	Monthly Salary	10,000
2	EPF At 11%	1,100	2	EPF At 11%	1,100
3	EPF At 7%	700	3	EPF At 7%	700
4	Difference in EPF	400	4	Difference in EPF	400
5	Total difference for 6 months	2,400	5	Total difference for 6 months	2,400
6	Average EPF dividend	6.0%	6	Average EPF dividend	6.0%
7	Impact over 20 years	7,697	7	Impact over 30 years	13,784
8	Present Value (difference in EPF)	2,400	8	Present Value (difference in EPF)	2,400
9	Interest Rate	6.0%	9	Interest Rate	6.0%
10	Term (Years)	20	10	Term (Years)	30
11	Compounding Periods/Year	1	11	Compounding Periods/Year	1
12	Future Value	7,697	12	Future Value	13,784

Note: Be cautious of your
tax position



EPF Withdrawal of RM500 A Month For 1 Year

For illustration purposes only

Case 1:				
1	Monthly Salary For 12 months	10,000.00	Over 12 months	120,000
2.1	EPF At 7% For 6 months	700.00	Over 6 months	4,200
2.2	EPF At 11% For 6 months	1,100.00	Over 6 months	6,600
				10,800
3	Withdrawal of RM 500 over 12 months			(6,000)
4	Net contribution over 12 months			4,800
5	Average contribution			4.0%
6	EPF Growth Over 30 Years			27,569

Case 2:				
1	Monthly Salary For 12 months	10,000.00		120,000
2.1	EPF At 11% For 6 months	1,100.00	Over 6 months	6,600
2.2	EPF At 11% For 6 months	1,100.00	Over 6 months	6,600
				13,200
3	Withdrawal of RM 500 over 12 months			(6,000)
4	Net contribution over 12 months			7,200
5	Average contribution			6.0%
6	EPF Growth Over 30 Years			41,353

Case 3:				
1	Monthly Salary	10,000.00		120,000
2.1	EPF At 11% For 6 months	1,100.00	Over 6 months	6,600
2.2	EPF At 11% For 6 months	1,100.00	Over 6 months	6,600
				13,200
3	Withdrawal of RM0 over 12 months			-
4	Net contribution over 12 months			13,200
5	Average contribution			11.0%
6	EPF Growth Over 30 Years			75,814



Key Highlights Of BPN

1. Cash handouts ranging from **RM500 – RM1,600**

Group	Category	Income Level (RM)	Payment Releases		Total
			Apr-20	May-20	
B40	Household	0 - 4,000	1,000	600	1,600
M40		4,000 - 8,000	500	500	1,000
B40	Individual	0- 2,000	500	300	800
M40		2,001 - 4,000	250	250	500

2. TNB bill reductions – from 2% to 50% to a cap of 600Kwh per month till end of MCO

Usage Cap	Discount Offered
200kWh	50%
300kWh	25%
600kWh	15%

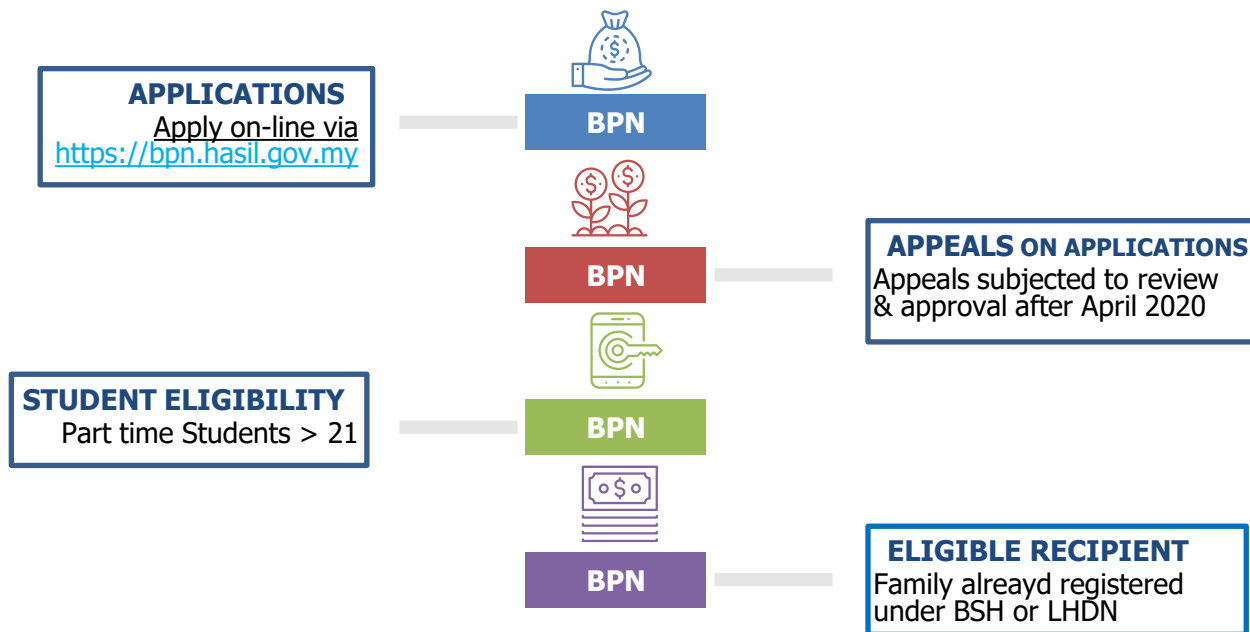
3. Early withdrawal of up to RM1,500 **PRS** from account B without any penalty taxes (Apr –Dec 2020)

4. RM500 one-off cash handout to civil servants of grade 56 and below & RM500 to all Government pensioners in April 2020

5. Extension, reinstatement & convert insurance policies for policyholders up to **31 Dec 2020**.

Highlights Of BPN

SUMMARY OF BENEFITS FROM BPN

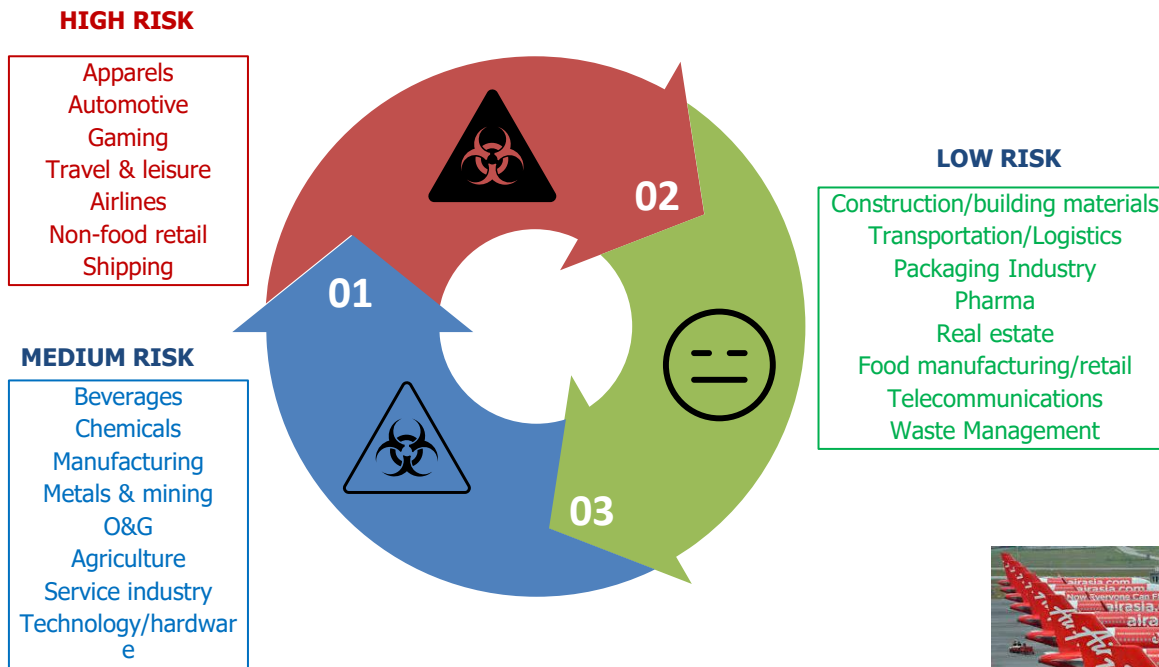


Reminder:

These incentives are to **alleviate hard ship** & loss of earning capacity.
Make **wise use** of them if needed

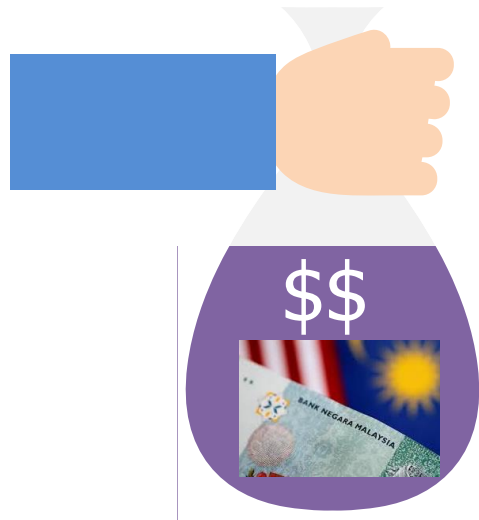
Sectoral Outlook

LOW, MEDIUM LOW RISK SECTORS



Getting Ready – Post MCO

YOUR STEPS TO BETTER FINANCIAL FOOTING IN 2020



- Set aside an **emergency fund**
- Employ **debt-snowball strategy**
- Prioritise your spending – be strict
- Make a **budget** & stick with it
- Target **savings**
- Be **risk averse**
- Avoid **credit card** balance roll-over
- Review all your **liquidity & portfolios**
- No **moneylending!**
- Do **charity or service**

Takeaway Points - Summary

YOUR THOUGHTS MATTER

DECIDE ON YOUR NEXT MOVE

HOUSING LOAN MORATORIUM

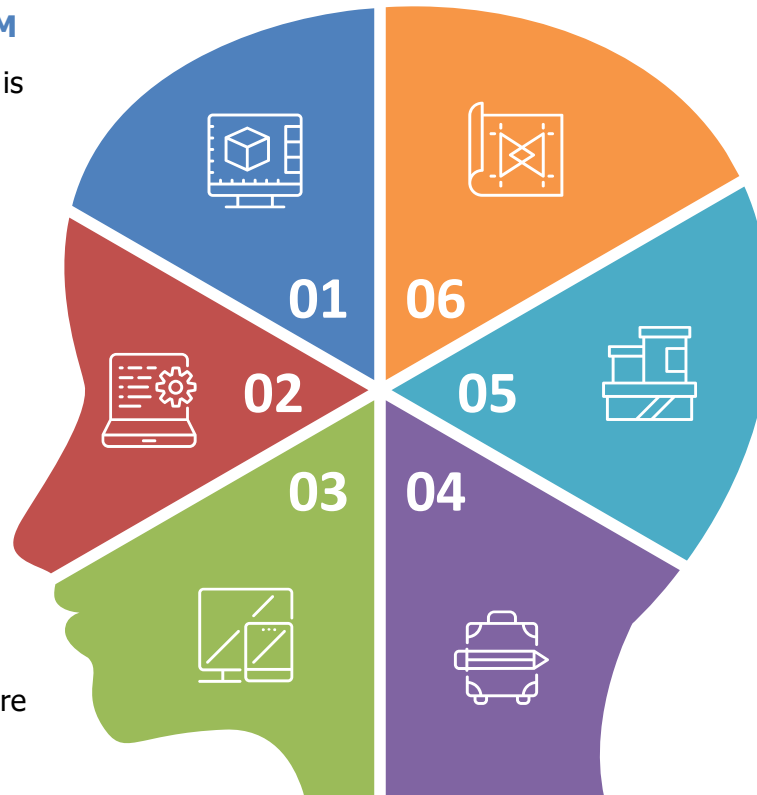
To take or not to take – that is the question?

LOAN SNOWBALLING

Should you use funds released from moratorium to pay other debts?

EPF RATE REPRIEVE

Are you willing to forego future savings by paying a lower contribution rate?



EPF WITHDRAWALS UP TO RM500

This is your money – are you comfortable with the idea?

EXPOSED SECTORS

Be alert & be cautious

LOOK AHEAD & PLAN

Don't look for an umbrella once the storm breaks



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